

Thursday, May 07, 2015 | special comment

CCC – Highlights of 2015 Q1 Earnings Conference

Rating: sell | target price: PLN 158.00 | current price: PLN 119.45

CCC PW; CCCP.WA | Retail, Poland

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Key Takeaways:

- CCC will increase the sales area by 90,000sqm (30%) in 2015. The revenue growth target for the year has been maintained at 40% (assuming no weather anomalies), implying an annual topline figure of PLN 2.8bn. 2014-2017 revenue CAGR is projected at 25.8%. CCC says it is able to achieve a gross profit of PLN 300m this year (vs. our forecast of PLN 291.4m), with the implied gross margin at 10.7% vs. a 2009-2014 average of 11.1%.
- 2015 CAPEX budget is PLN 150m of which PLN 138m allocated to store expansion and PLN 12m earmarked for the last payment for a logistics center.
- Polish lfl sales were up 2.8% as of 3 May 2015, coming close to the 3% target set for H1 2015. The goal for H2 is 6% lfl growth (to be achieved largely thanks to base effects) assuming normal weather patterns.
- In Q1 2015 the gross margin decreased by 0.7ppt to 51.6% as a 1.8ppt contraction to 50.6% in Poland was offset by improvement in the EU markets which achieved a margin of 56.3% in the period (-0.3% y/y).
- CCC is not planning to expand its sales mix in 2015, and in 2016 it may introduce leather accessories to its footwear stores.
- Cash flows are set to improve in Q3 2015 thanks to reduced purchases for the fall/winter season owed to an existing larger inventory accumulated last year at cheap dollar prices.
- The net debt/EBITDA ratio was 1.8x at 31 March 2015, and it is expected to decrease to 1.5x by the end of the year. CCC is planning a PLN 100-150m bond issue this year as a way of raising financing for further expansion.

List of abbreviations and ratios contained in the report.

EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

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